



A Report
to the
Board of
Supervisors

*Maricopa County
Internal Audit
Department*

Ross L. Tate
County Auditor

Payroll Audit

*Countywide Review of Employee
Reimbursements and Work
Documentation*

August ■ 2007

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The **County Auditor** is appointed by the Board of Supervisors. The mission of the Internal Audit Department is to provide objective, accurate, and meaningful information about County operations so the Board of Supervisors can make informed decisions to better serve County citizens.

***The mission of Maricopa County is to provide
regional leadership and fiscally responsible,
necessary public services so that residents can
enjoy living in a healthy and safe community.***

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August 31, 2007

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We have completed our review of selected Countywide payroll issues. This audit was performed in accordance with the annual audit plan approved by the Board of Supervisors.

Report highlights include:

- Departments generally are reimbursing employees appropriately for allowable expenses. However, we identified \$38,560 in fiscal year 2006 reimbursements which did not conform to County policies.
- A Countywide policy which sets out a basic policy for reimbursements for employee uniforms, as well as appropriate uniform wear, should be developed.
- A Countywide approach to employment eligibility which conforms to federal immigration requirements should be developed.

We reviewed information in this report with the General Government Department, which after a recent reorganization is responsible for payroll, and with concerned department directors and payroll liaisons. We appreciate the excellent cooperation provided by all departments. If you have any questions or wish to discuss the information presented in this report, please contact Eve Murillo at 506-7245.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

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Executive Summary

Miscellaneous Employee Reimbursements (Page 7)

County departments generally reimburse employees appropriately for allowable miscellaneous expenses. However, we identified \$38,560 in fiscal year 2006 reimbursements which did not conform to County policies. A small number of payroll liaisons and employees requesting reimbursement either did not follow policies or did not maintain complete documentation. County management and affected departments should strengthen internal controls over miscellaneous reimbursements.

Uniform Reimbursements and Allowances (Page 12)

County departments appear to accurately account for uniform reimbursements. However, because no Countywide policy exists, uniform expenditures may exceed necessary amounts. Expenditures may not be accurately recorded, which has implications for required Internal Revenue Service income reporting. County management and departments with uniformed employees should create a standardized uniform policy, and ensure that uniform expenditures are accurately categorized.

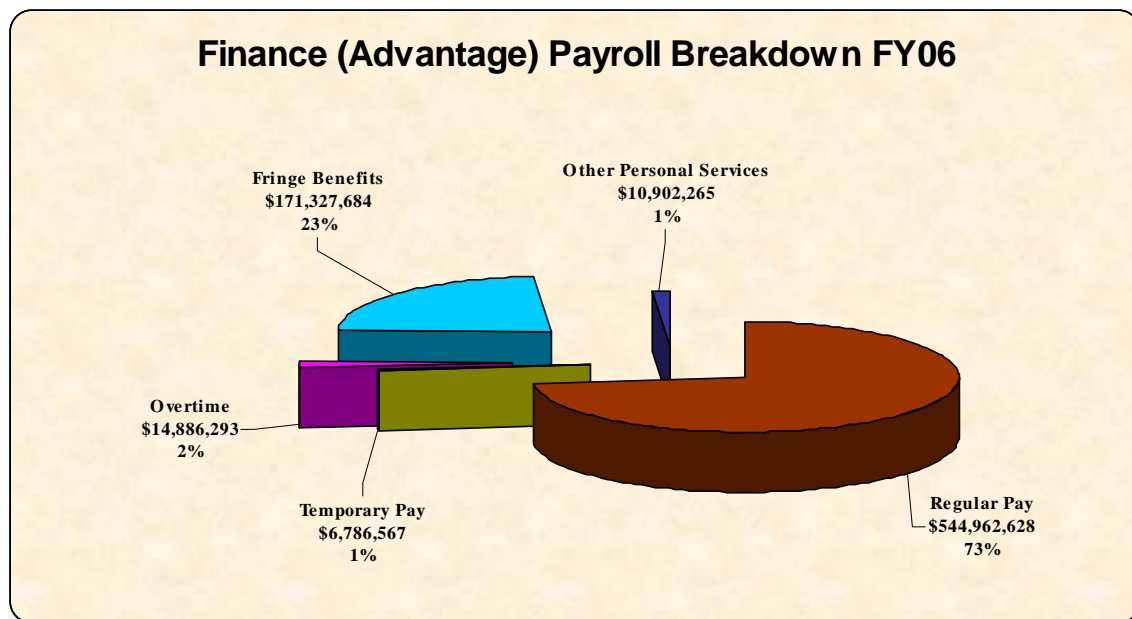
Employment Eligibility Verification (Page 15)

The County does not accurately or completely track data related to County employees working on temporary work permits. Inaccurate or expired work permit records can result in federal fines and penalties, and may expose the County's homeland security functions to outside threats. Based on our audit findings, the County's potential federal fine exposure ranges from \$26,000 to \$87,000. County Employee Records should enhance current work document tracking procedures and provide appropriate training to department liaisons to ensure more complete and timely documentation of non-citizen employee records.

Introduction

Background

In the Maricopa County budget, payroll expenditures represent the single largest outlay. In fiscal year (FY) 2006, payroll consumed over 40 percent of the County's budget. Payroll expenditures are comprised of salaries, benefits, and other compensation. The graph below shows the County's \$749 million payroll for FY 2006, by component:

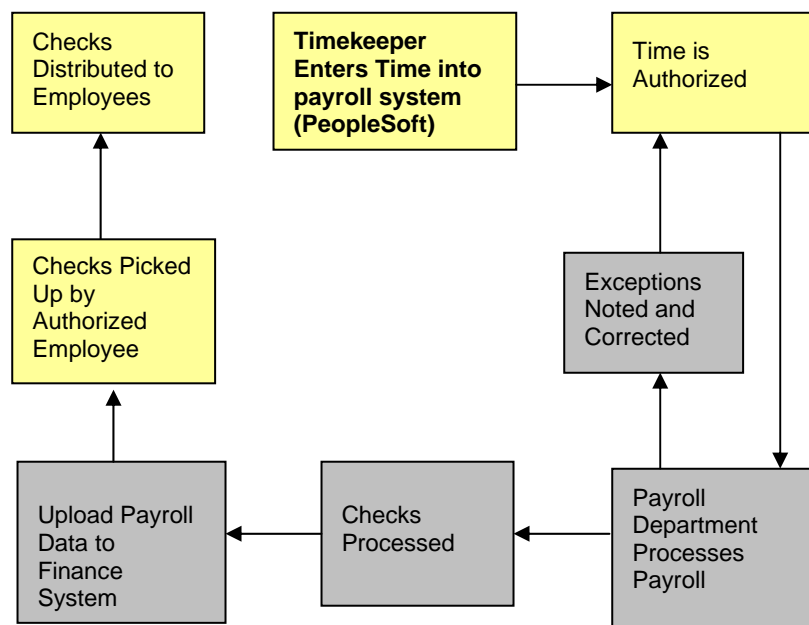


Source: Audit analysis of Advantage 2.0 data.

County payroll functions are decentralized, so in addition to the Payroll Division of the General Government Department, some important functions are performed by individual departments. For example, payroll is supported by a specialized application, PeopleSoft. Each department has a designated payroll liaison who approves time data entered into PeopleSoft, and who documents and maintains departmental payroll records.

In May 2007, the Human Resources Department reorganized. As a result, General Government now has responsibility for payroll and employee records. Payroll performs the primary County payroll data maintenance and system functions. The graph on the following page shows key payroll processing, distribution cycle, and operational components.

Payroll Process



Note: Yellow functions are performed by department liaisons; gray functions are performed by Payroll.

Because of the importance of payroll to County fiscal health, payroll reviews are performed periodically, either by General Government or by Internal Audit (IA). This review focuses on controls related to two Countywide payroll functions that have not been evaluated recently: reimbursements for work-related expenses and documentation of appropriate status to work for the County.

Reimbursements

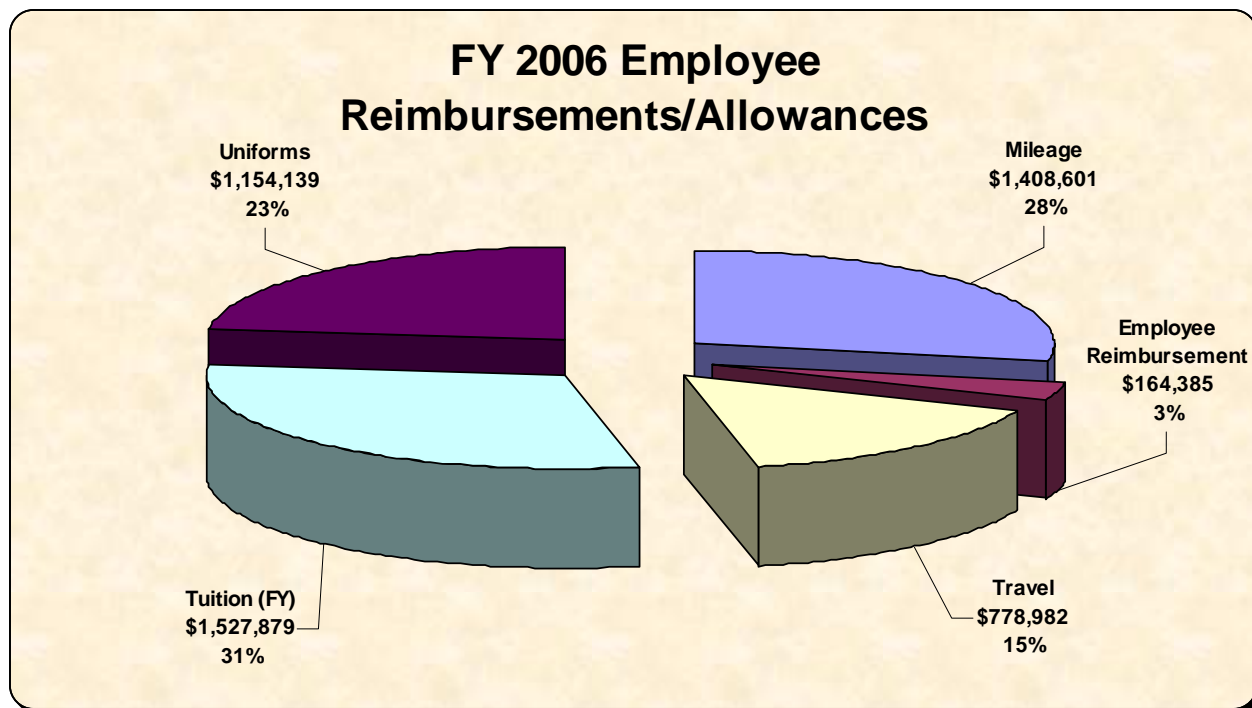
Staff paychecks sometimes include reimbursement for authorized work-related expenses. Employee reimbursements comprised approximately \$5 million of the FY 2006 payroll cost, or less than 1 percent of the \$749 million payroll. County departments reimburse employees for items that include:

- Travel
- Tuition
- Uniforms
- Mileage
- Miscellaneous employee reimbursement (ERI)

Employee reimbursements represent a financial exposure to the County, as well as a risk of noncompliance with County policy and Internal Revenue Service (IRS) regulations. Department

managers have the primary responsibility for verifying that reimbursement requests are appropriate, adequately documented, and accurately calculated. Department managers review and approve reimbursements. Payroll processes the authorized payments.

In FY 2006, the largest reimbursement cost was tuition for work-related training and education. The graph below shows expenditures comprising the \$5 million FY 2006 employee reimbursements and allowances.



Source: Audit analysis of PeopleSoft data.

Each type of reimbursement is defined below.

| | |
|---|---|
| Miscellaneous Reimbursements (ERI) | Intended for legitimate business needs and should be rare because procurement rules prohibit the purchase of all but minor items off-contract. Most departments use a procurement card to pay for such expenditures. |
| Uniforms | At least 11 County departments require uniforms to be worn by some employees. Four departments, Sheriff's Office, Animal Care and Control, Flood Control, and Parks and Recreation, directly reimburse some or all affected employees for uniform expenses. This reimbursement is non-taxable. Other departments process uniform expenditures as rentals or periodic allowances, which are taxable. |
| Tuition | Reimbursement for County business-related training and education from an accredited school. County Policy HR2430 defines the amount and process by which employees may receive tuition reimbursement |

| | |
|----------------|---|
| | (currently \$5,250 maximum annually/employee). |
| Mileage | County work-related travel using personally owned vehicle is reimbursed if a County vehicle is not available. Mileage is paid at federally established rate, currently .485 cents/mile. |
| Travel | Employees are reimbursed for expenses related to County work-related travel, such as training, extradition, and professional conferences. Expenditures must be pre-approved |

Employment Eligibility Verification

Because of changes in federal statutes, employment eligibility verification has become a critical County concern. The Immigration Reform Control Act of 1986 requires that, when employees are hired, employers such as County departments must obtain documentation from the employee verifying that he or she is legally eligible to work in the US. It is the employer's responsibility to adequately and legally process the US Citizens and Immigration Services Form I-9, including maintaining the correct records based upon type of visa and tracking all applicable expiration dates.

Eligibility verification is a decentralized function within the County. Either Payroll or the department's liaison completes the Form I-9, which requires the employee to produce documentation verifying employment eligibility. Non-citizen employees must produce certain documents based on the type of visa or work permit they are using. In addition to the Form I-9, the department liaison also completes an internal document called a Personnel Action Form (PAF), which requests additional information about employees who are working for the County on temporary work visas or permits. Department liaisons are charged with properly maintaining I-9s and related documents, accurately verifying eligibility data, and updating information for employees on temporary work documents.

Although documents which prove eligibility to work in the US may be unfamiliar to department liaisons, the Employee Records division of HR does not routinely provide training for this verification and document inspection process. Instead, Employee Records staff encourage department liaisons to consult Websites for help. Some of the referenced sites are third-party, non-governmental sites which may list inaccurate data and also include complex and confusing content.

Scope and Methodology

HR performs periodic reviews of departmental payroll processing and distribution. Internal Audit also periodically reviews some high-risk payroll records during department audits. However, some areas of the payroll cycle are not routinely monitored or tested. Our goal of this audit was to identify the components of payroll reimbursements and ensure County dollars were efficiently and effectively spent.

The specific objectives of this audit were to determine whether:

- Expenditures processed through ERI are appropriately documented, verified by management, correctly calculated, and accurately reimbursed
- Uniform reimbursements are correctly calculated, verified by management, and accurately categorized according to IRS rules
- Appropriate controls are in place to validate the type and expiration date of temporary work documents used by County employees

Audit scope was Countywide, and we reviewed all ERIs processed in FY 2006 through PeopleSoft, including the 49 departments listed in Appendix B.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Issue 1 Miscellaneous Employee Reimbursements

Summary

County departments generally reimburse employees appropriately for allowable miscellaneous expenses. However, we identified \$38,560 in fiscal year 2006 reimbursements which did not conform to County policies. A small number of payroll liaisons and employees requesting reimbursement either did not follow policies or did not maintain complete documentation. County management and affected departments should strengthen internal controls over miscellaneous reimbursements.

Some Reimbursements Contrary to County Policy

We reviewed all of FY 2006 employee reimbursements processed through PeopleSoft. We found that about 12 percent, or 186, of the almost 1,600 FY 2006 miscellaneous reimbursements approved by departments did not conform to County policies. Non-conforming reimbursements included food purchases, personal cell phone charges, and tuition reimbursements. These reimbursements totaled \$19,045 or 12% of approximately \$164,000 FY06 miscellaneous employee reimbursements. The table below summarizes these exceptions:

| Exception Type | Amount | # of Exceptions | # of Departments |
|--|-----------------|-----------------|------------------|
| Food Expenses | \$11,891 | 155 | 25 |
| Cell Phone Charges | \$2,154 | 25 | 9 |
| Previously Denied Tuition Reimbursement Requests | \$5,000 | 6 | 3 |
| Total | \$19,045 | 186 | 37 |

Source: Audit analysis of PeopleSoft data

Food Expenditures

The Arizona State Constitution and statutes prohibit government employees from accepting anything of value, including food, which cannot meet a public purpose test. According to the County Attorney, County Policy A1508 related to food expenditures is unusually restrictive. The policy is designed to conform to constitutional and statutory provisions, and requires that County food expenditures must be approved in advance. We found that most of the departments did not obtain approvals as required from the elected official, presiding judge, or chief officer prior to making the food expenditure. Twenty-five departments processed food expenditure reimbursements, totaling \$11,891, which did not meet the current food expense documentation requirements.

Personal Cell Phone Charges

County policy A1202 requires that employees provide supporting documentation and obtain pre-approval for personal cell phone charges. We found that nine departments processed cell phone reimbursements totaling \$2,154 without backup documentation or pre-approval. Some departments approved reimbursements without either invoices or actual personal usage calculations.

Tuition Reimbursement

One department reimbursed an employee for tuition using ERI after Staff Development had denied their original reimbursement request. The department employee had not submitted the class completion documents within the prescribed 60-day period. After Staff Development denied the request, the department coded the reimbursements as Miscellaneous (ERI) to obtain funds for the employee.

Reimbursements Inconsistent with County Business Practices

Expenditures categorized as “miscellaneous” can present control challenges. We found that some departments used miscellaneous reimbursements to accommodate expenditures that were inconsistent with traditional County business practices. Some of these expenditures represented a tax consequence to the employee or were actually a supplementary paycheck. The table below sets out the \$17,398 exception detail.

| Exception Type | Amount | # of Exceptions | # of Departments |
|------------------------------|-----------------|-----------------|------------------|
| Moving Expenses ¹ | \$16,953 | 1 | 1 |
| Employee Bonuses | \$125 | 5 | 1 |
| Home Internet Service | \$320 | 8 | 1 |
| Total | \$17,398 | 14 | 3 |

Note 1: Payroll detected this error and corrected it prior to final payment.

Source: Audit analysis of PeopleSoft data

Moving Expenses

Occasionally, the proactive actions of the Payroll Department effectively detected and corrected reimbursements that should not have gone through ERI. Unfortunately, Payroll’s efforts are sometimes made more difficult by a lack of appropriate policy. For example, in FY 2006, a department reimbursed \$16,953 to the newly-hired director for moving expenses. The department originally attempted to reimburse the director using an ERI reimbursement code. However, IRS requires that moving expense reimbursements must be reported on an employee’s W-2. To accomplish this, moving expense reimbursements must be issued using a manual warrant. Payroll identified the error prior to processing the original ERI reimbursement request, reversed the ERI,

and issued a manual check. This correction ensured that the transaction would be included on the employee's W-2.

Bonuses Issued through Employee Reimbursements

In FY 2006, one department issued \$25 "bonuses" to five employees as part of their Employee of the Quarter program. These reimbursements were authorized through an email to the payroll liaison which instructed her to add \$25 to their paychecks. The payroll liaison used the ERI reimbursement mechanism as the vehicle for increasing employee pay.

Employee Home Internet Reimbursement

Four County departments are reimbursing employees for home Internet access. Of the four, two departments reimbursed a select group of Information Technology (IT) employees with round-the-clock responsibilities over critical Web-based applications or citizen-dependent Web sites. One department reimbursed a select group of inspectors who are not assigned office space. We did not consider these three groups as exceptions. Although one County department's employees with at-home Internet access also had responsibilities over critical applications, the department director did not consistently maintain back-up receipting or appropriately authorize reimbursements for eight reimbursements totaling \$320. Since the County does not have a home Internet-usage policy, department managers do not consistently address these Internet usage reimbursement requests and County departments do not have the opportunity to economically procure these services under contract.

Incomplete and Missing Reimbursement Documentation

Only forty-eight, or three percent, of all FY 2006 reimbursements (1,528 transactions), did not include complete support for the reimbursement requests. Although a very small percentage, lack of appropriate documentation can increase the risk of fraud, waste, and abuse of County funds. Missing documentation included:

- Appropriate supervisory level approvals
- Pre-approvals for food expense reimbursements
- Receipts supporting the request or emails in lieu of missing receipting

Five departments were unable to provide any supporting documentation for 15 transactions totaling \$1,161.

Duplicate and Unnecessary Reimbursements

Poor supporting documentation practices can result in duplicate or unnecessary reimbursements. Six departments processed either duplicate or unnecessary reimbursements totaling approximately \$600. These errors were not detected by HR or the department payroll liaison, and were not reported by the employees receiving the reimbursement. We confirmed that each of the departments that processed duplicate reimbursements has taken steps to recover monies from the employees. Although the amounts depicted are minimal, the potential exists for deliberate overstatement of reimbursements. Exception types included:

- Three duplicate reimbursement transactions

- Two reimbursements that were actually wages
- One reimbursement paid less than the documented amount
- Two reimbursements paid where none was due

Inefficient Transactions

Although most miscellaneous reimbursements were properly documented and approved, and supported legitimate County purposes, many transactions we reviewed could have been paid directly to the vendor. Direct payment to vendors gives the department more expenditure and procurement control, and provides opportunities to economize. Goods and services purchased directly by employees, which are then reimbursed, are often procured through uncontracted vendors, in excess of pre-negotiated amounts, and in unnecessary quantities. The table below summarizes reimbursements that could have been paid using traditional payment methods:

| Exception Category | Reimbursement Amount | #. Of Impacted Departments | #. of Transactions | Alternatives That Could Have Been Used |
|--------------------|----------------------|----------------------------|--------------------|--|
| Fuel Expense | \$1,258 | 15 | 34 | Mileage Reimbursement; Fuel cards; County fueling stations |
| Computer Equipment | \$1,049 | 4 | 8 | P-card or warrant using a County contract |
| Parking Expense | \$270 | 7 | 36 | County garages or lots; parking validation requests; employee shuttle services |
| Total | \$2,577 | 26 | 78 | |

Source: Audit analysis

Reimbursements Incorrectly Categorized

Department payroll liaisons incorrectly categorized 27 percent of the FY 2006 employee reimbursements to the ERI (miscellaneous reimbursement) code when other categories are more appropriate. FY 2006 ERI reimbursements included 416 miscoded transactions totaling \$63,801 from 25 departments. Incorrectly categorized reimbursements result in misstated expenditures and in some cases, such as tuition and moving expenses, may result in understating employee wages. Only 34 transactions, or 8 percent, were detected and reclassified to the correct object code. The most common coding error was Travel reimbursements. Some incorrectly coded reimbursements result from incomplete mapping between the County Finance system (Advantage 2.0) and the reimbursement codes in PeopleSoft.

Recommendations

Department and County Management should:

- A. Consider developing Countywide policies and procedures for moving expenses and home Internet usage that align with the developing recruitment and technology needs of the County.

The Payroll Division of the General Government Department or County Management's Designee should provide payroll reimbursement training and written resources that include objectives to:

- B. Ensure that payroll reconciliations are consistently and accurately performed to include a review for incorrect or duplicate reimbursements.
- C. Ensure that reimbursements are properly documented, approved, and coded.
- D. Discourage employee reimbursements as a payment method, except when necessary, ensuring that County goods and services are procured through approved vendors and paid for using traditional methods (P-card and warrants).

The Payroll Division of the General Government Department should:

- F. Develop a reimbursement reporting tool to reconcile reimbursements by employee and verify complete, accurate, and non-duplicative reimbursements.
- G. Regularly work with the Department of Finance to ensure that PeopleSoft reimbursement codes directly map to the appropriate Advantage object code, and reduce the need for reclassifications at the department level.

Issue 2 Uniform Reimbursements and Allowances

Summary

County departments appear to accurately account for uniform reimbursements. However, because no Countywide policy exists, uniform expenditures may exceed necessary amounts. Expenditures may not be accurately recorded, which has implications for required Internal Revenue Service income reporting. County management and departments with uniformed employees should create a standardized uniform policy, and ensure that uniform expenditures are accurately categorized.

County Departments Pay for Uniforms in Several Ways

Uniformed County employees present an image of competence and influence public perception. Uniforms should be recognized and respected as symbols of excellence and dedication to public service. Eleven County departments use some type of uniform for staff, although departments differ in how they regulate the type of items considered part of a uniform. For example, some departments consider uniforms to encompass clothing, safety items, “polo” shirts, caps, and shoes.

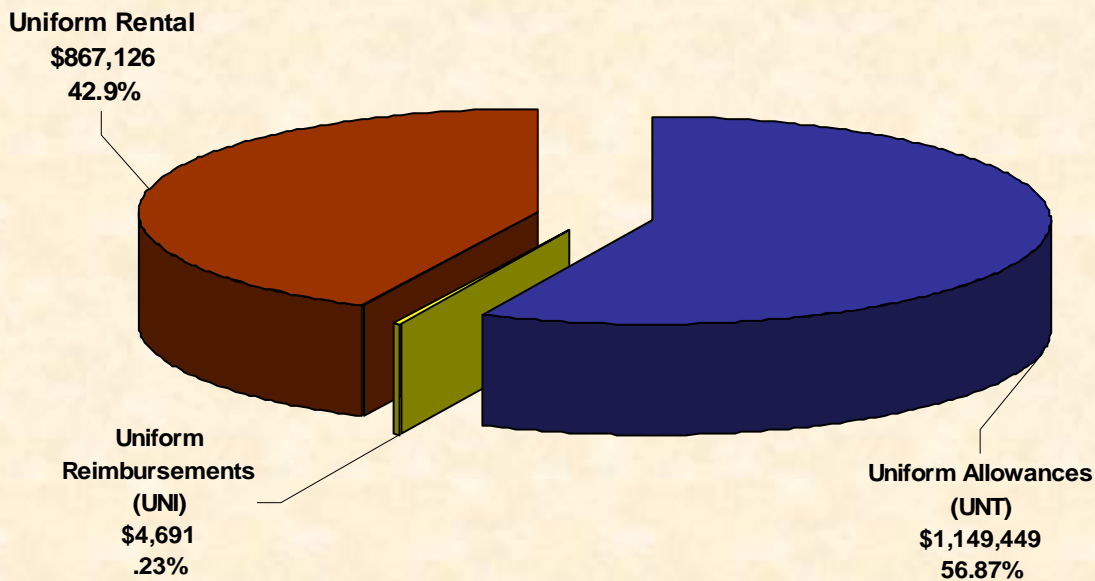
Uniform reimbursements represent a complex issue. The PeopleSoft application used by Payroll categorizes two types of uniform expenditures: taxable uniform allowances and nontaxable direct reimbursement requiring receipts. The tax status of uniform reimbursements is based on IRS rules. Approximately 2,700 employees received taxable reimbursements in calendar year 2005, and approximately 180 employees received non-taxable direct reimbursements, according to PeopleSoft records.

Departments account for uniform expenditures in several ways:

- Rentals, an option that does not require payroll liaisons to process reimbursements and allowances through payroll
- Periodic allowances to the employee based on pre-established amounts (taxable)
- Direct reimbursements to the employee based on receipts (nontaxable)

The chart on the next page depicts approximately \$2 million FY 2006 uniform expenditures by expenditure type:

FY 2006 Uniform Expenditures By Procurement Type



Source: Internal Audit

Source: Audit analysis of PeopleSoft data

According to PeopleSoft data, most departments pay their uniformed employees a periodic allowance to obtain the prescribed uniform of clothing, County insignia, protective gear, or safety wear. We found that departments administered allowances with few documentation or reimbursement calculation errors.

However, the County does not have a policy that standardizes the items to be considered part of a uniform, process at termination, pro-rating of allowances, or other items.

Without such a policy, departments may not consistently:

- Determine the most cost effective and efficient uniform procurement practice (allowances, reimbursements, or rentals)
- Define what should be considered part of a uniform, for example, safety glasses
- Code uniform expenditures in PeopleSoft
- Identify taxable and non-taxable uniform expenditures to the employee
- Ensure that uniforms are returned by terminated employees
- Pro-rate uniform allowances for terminating employees, resulting in overpaid allowances based on actual time employed

Tax Treatment of Uniform Expenses

Uniform allowances are considered taxable income. Employees receiving an allowance will be notified of this additional income on their W-2 at the end of the year. By contrast, employees who have paid for uniform items directly and submitted receipts for reimbursements have done so out of income already taxed. Therefore, uniform reimbursements do not appear as taxable income on their W-2s. When Payroll does not have accurate uniform allowance data from all departments, the potential exists for under-reporting taxable income to employees. This may expose the County to potential IRS fines and penalties.

We found that by FY 06, only the Flood Control District continues to use the reimbursement method to account for uniform expenses. Most departments do not reimburse uniform expenditures because the method requires additional oversight, accounting, and approval, compared to allowances.

The Sheriff's Office, Parks and Recreation Department, and Animal Care and Control use the allowance method to pay uniform costs for their employees. Payroll liaisons in these departments use PeopleSoft to track these expenses so that allowances will be correctly reported on the employee W-2 at year end. An employee receiving a uniform allowance is not required to provide supporting receipts showing how the money was spent.

Recommendations

County Management should develop Countywide uniform policies and procedures that defines uniforms and includes guidelines for:

- A. Appropriate usage
- B. Accurate expenditure coding
- C. Pro-rating uniform allowances to new and terminating employees
- D. Ensuring timely return of uniforms or County seal patches by terminating employees
- E. Assessing uniform procurement methodology

Issue 3 Employment Eligibility Verification

Summary

The County does not accurately or completely track data related to County employees working on temporary work permits. Inaccurate or expired work permit records can result in federal fines and penalties, and may expose the County's homeland security functions to outside threats. Based on our audit findings, the County's potential federal fine exposure ranges from \$26,000 to \$87,000. County Employee Records should enhance current work document tracking procedures and provide appropriate training to department liaisons to ensure more complete and timely documentation of non-citizen employee records.

Employment Eligibility Verification

Federal statutes require employers to be responsible for the completion and retention of Form I-9s for all employees hired in the U.S, regardless of citizenship or national origin. However, Maricopa County does not have a policy reflecting federal guidelines for employment verification. In addition, no one County organization is accountable for determining that all County employees with visas and other temporary work documents are accurately tracked.

We found that information maintained by Employee Records (Records) appears to be incomplete. According to Records, of the 13,000 plus County employees, only 66 employees have non-citizen status. Although we were unable to substantiate the accuracy of the number of non-citizen County employees, it appears to be low. Eight of the 66 recorded non-citizen employees are using temporary work documents (visas) and the remaining 58 are in Records' database as permanent residents.

In addition, Records does not consistently track employees with temporary work documents. Records requests departments to complete information about these employees on the PAF form. However, department liaisons, not Records, retain the I-9s. Because of this, Records cannot reconcile data to verify whether all County employees working with visas have been identified. Further, Records does not track visa status changes or PAF expiration dates, which could render information obsolete.

County Employees Using Temporary Work Documents

Records receives citizenship status data for County employees using temporary work documents from the PAF; which is then entered into PeopleSoft. During our review of PeopleSoft and departmental procedures we found the following types of errors (see Appendix for a detailed review of each exception):

- Two employees working with temporary work documents whose immigration status was not entered into PeopleSoft
- Two employees hired prior to their visa issue date
- Five employees who did not have visa information reported or updated in PeopleSoft

- Employing departments which did not maintain current supporting documents on file for five employees

When County departments in risk sensitive areas such as Transportation, Correctional Health, and Flood Control hire employees without valid work documents or do not effectively track expiring documents, they reduce their ability to protect critical County infrastructure from potential security breaches. U.S. Citizenship and Immigration Services (USCIS) may fine the County for hiring or maintaining employment of an employee without the appropriate documents or for working past the document expiration date. Fines range from \$250 to \$2,000 per first offense. Based on our audit findings, the County's potential federal fine exposure is \$26,000 to \$87,000.

The Immigration Reform and Control Act (IRCA), USCIS regulations also protect employees from discrimination, fining employers from \$250 to \$2,000 if they limit the type of documents the employee can present to complete the I-9. IRCA defines these actions as discrimination..

Benchmarking Visa Document Management

We contacted three government agencies (Los Angeles County, Pima County, and City of Phoenix) to identify procedures for collecting and maintaining temporary work documentation. Two of the three agencies had consistent hiring practices for employees using temporary work documents. The following are the results of our benchmarking analysis.

| Benchmarking Question | AGENCY | | |
|--|------------------------------------|--|--|
| | Pima County | City of Phoenix | Los Angeles County |
| Policy Exists Regarding Immigration Records? | No | No | Part of I-9 Basic Pilot Program |
| Records Centralized or Decentralized? | Centralized | Centralized – Payroll Department verifies all information provided by individual departments | Decentralized |
| Employee Training Available on Laws & Regulations? | No, County Attorney is responsible | Internal Training | Internal Training |
| What System is Used for Tracking Documents? | Tracked by departments | Manually tracked by Payroll | Tracked by Auditor-Controller's Office |

Source: Internal Audit

Liaisons Not Trained About Verification

Although employee eligibility verification is a critical process, the County does not routinely provide training for liaisons about verifying documentation. Instead, liaisons are advised to consult Website links, including third party non-governmental sites.

County department liaisons are responsible for ensuring that all new employees complete the Form I-9. Liaisons also must require employees to produce documentation verifying employment eligibility. Liaisons are charged with:

- properly maintaining I-9s and related documents
- accurately verifying eligibility data
- updating information for employees on temporary work documents

In addition to the Form I-9, liaisons also complete an internal document called a PAF which includes additional information about County employees on temporary work visas or permits.

Recommendations

Employee Records should:

- A. Ensure that work authorization information requested on the PAF requires an affirmative response from all employees
- B. Develop I-9 procedures and, where necessary, provide I-9 training for department liaison employees
- C. As Immigration and Employment law continues to evolve; consider alternatives for managing worker eligibility status, related procedures, and training
- D. Modify the Personnel Action Form (PAF) to include a section for changes to immigration status

Employee Records and affected departments should:

- E. Ensure that deadlines for Visas are consistently tracked and that impacted employees are notified in a timely fashion that action is required

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Appendix A

Employee Eligibility Exception Detail

| | Physical Employee File | PeopleSoft Immigration Information | | | | |
|------------------------|---|------------------------------------|-----------------|--------------|----------------------|-------------------|
| Department | Review Explanation | Visa Type* | Visa Issue Date | Date of Hire | Visa Expiration Date | Exception? Yes/No |
| Flood Control | All required documentation on file. | F1 | Blank | 6/14/2004 | 6/14/2007 | Yes |
| Flood Control | Transportation collected current immigration documentation but did not include the information on the PAF when submitted to Payroll. By the time the employee transferred to the Flood Control an application for permanent residency had been processed and updated. | Not Reported | Not Reported | 11/3/1997 | Not Reported | Yes |
| Planning & Development | Employee's current I-94 was not on file at the time of our review. | TN | 6/3/2004 | 6/7/2004 | 6/2/2005 | Yes |
| Planning & Development | Employee was not included in the original download provided by Payroll. The Employment Authorization Card was current at the time of hire but because the employee was not entered in PeopleSoft the expiration date could not be monitored. | Not Reported | Not Reported | 10/14/2003 | Not Reported | Yes |
| Correctional Health | Employee was in the country on an H1B visa. Documentation on file indicated a different sponsoring employer therefore, MC had to obtain current documentation. The I-94 attached to the employee's passport was not current at the time of our review. Employee has since applied for permanent residence but the employee's file or PeopleSoft has not been updated to reflect that change. | H1B | 6/12/2003 | 12/1/2003 | 6/30/2006 | Yes |
| Correctional Health | PeopleSoft indicates status of H1B but file does not contain supporting docs for an H1B. Documents collected indicate that the employee was on a J-1 Exchange Alien status. (WP 40-6.4) The department did not collect valid documents at the time of hire as indicated on the Social Security card (Employment Authorization Card). The immigration document on file that was issued 5/13/2002, only waived residency requirements. Employee has been a permanent resident since 3/10/05. | H1B | 5/13/2002 | 5/1/2002 | Blank | Yes |

| | | | | | | |
|---------------------|--|---------------------|----------|--------------|--------------|-----|
| Correctional Health | Department did not have valid I-9 on file at the time of review and therefore, had to have the employee fill out a corrected I-9 with current supporting docs and forward them to IA. | H1B | 9/3/2002 | 5/1/2002 | 3/1/2005 | Yes |
| Transportation | Department did not have current documents at the time of our review. The employee has since applied for permanent resident. | H1B | 1/3/2003 | 1/3/2003 | 1/2/2006 | Yes |
| Transportation | Employee was originally employed as a student intern but left the County when the visa expired in 2004. | F1 | Blank | Not Reported | 6/30/2004 | Yes |
| | The employee returned in 2005 on H1B status. All required documentation on file but the employee's current immigration status was not entered into PeopleSoft upon his return to the County. | H1B Not Reported | Blank | 11/8/2005 | Not Reported | Yes |
| Transportation | All required documentation on file | H1B | Blank | | 9/1/2002 | Yes |

Source: Internal Audit

Visa Definitions*

H1B Status—Non-citizen applicants in a specialty occupation; valid for a period of up to three years but may not exceed the validity period of the labor condition application.

F-1 Status—Student visa. An F-1 student may be authorized to work off-campus on a part-time basis after having been in F-1 status for one full academic year provided that the student is in good academic standing.

TN—Canadian or Mexican citizens who seek temporary entry as a business person to engage in business activities at a professional level in accordance with the North American Free Trade Agreement (NAFTA). A Mexican citizen is required to present a valid passport; Canadian citizens, while not required to present a valid passport for admission unless traveling from outside the Western hemisphere, must establish Canadian citizenship.

Form I-94—Indicates the classification under which the alien is admitted and the period of authorized stay in the US under that classification.

Appendix B

Agencies Under Review

- Adult Probation
- Animal Control
- Board of Supervisors Clerk
- Board of Supervisors Dist 2
- Board of Supervisors Dist 4
- Chief Information Officer
- Community Development
- Correctional Health
- County Manager's Office
- Emergency Management Services
- Environmental Services
- Finance
- Health Care Mandates
- Human Services
- Internal Audit
- Legal Defender
- Materials Management
- Office of Contract Counsel
- Parks & Recreation
- Public Defender
- Recorder
- Sheriff
- Superintendent of Schools
- Transportation
- Trial Courts
- Air Quality
- Assessor
- Board of Supervisors Dist 1
- Board of Supervisors Dist 3
- Board of Supervisors Dist 5
- Clerk of Superior Court
- Constables
- County Attorney
- Elections
- Employee Health Initiatives
- Equipment Services
- Flood Control
- Human Resources
- Integrated Criminal Justice
- Juvenile Probation
- Library District
- Medical Examiner
- Office of Legal Advocate
- Planning & Development
- Public Health
- Risk Management
- Solid Waste
- Telecommunications
- Treasurer

Department Response



Maricopa County

Internal Audit Department

301 W. Jefferson Street
Suite 660
Phoenix, Arizona 85003-2148
Phone: (602) 506-1585
Fax: (602) 506-8957
www.maricopa.gov

General Government and affiliated divisions did not provide a response in time to be included in this report. They will provide responses as a separate document at a later date. The issues and related recommendations they will respond to include:

Issue #1 Miscellaneous Employee Reimbursements

County departments generally reimburse employees appropriately for allowable miscellaneous expenses. However, we identified \$38,560 in fiscal year 2006 reimbursements which did not conform to County policies. A small number of payroll liaisons and employees requesting reimbursement either did not follow policies or did not maintain complete documentation. County management and affected departments should strengthen internal controls over miscellaneous reimbursements.

Department and County Management should:

- A. Consider developing Countywide policies and procedures for moving expenses and home Internet usage that align with the developing recruitment and technology needs of the County.

The Payroll Division of the General Government Department or County Management's Designee should provide payroll reimbursement training and written resources that include objectives to:

- B. Ensure that payroll reconciliations are consistently and accurately performed to include a review for incorrect or duplicate reimbursements.
- C. Ensure that reimbursements are properly documented, approved, and coded.
- D. Discourage employee reimbursements as a payment method, except when necessary, ensuring that County goods and services are procured through approved vendors and paid for using traditional methods (P-card and warrants).

The Payroll Division of the General Government Department should:

- F. Develop a reimbursement reporting tool to reconcile reimbursements by employee and verify complete, accurate, and non-duplicative reimbursements.
- G. Regularly work with the Department of Finance to ensure that PeopleSoft reimbursement codes directly map to the appropriate Advantage object code, and reduce the need for reclassifications at the department level.

Issue #3 Employee Eligibility Verification

The County does not accurately or completely track data related to County employees working on temporary work permits. Inaccurate or expired work permit records can result in federal fines and penalties, and may expose the County's homeland security functions to outside threats. Based on our audit findings, the County's potential federal fine exposure ranges from \$26,000 to \$87,000. County Employee Records should enhance current work document tracking procedures and provide appropriate training to department liaisons to ensure more complete and timely documentation of non-citizen employee records.

Employee Records should:

- A. Ensure that work authorization information requested on the PAF requires an affirmative response from all employees
- B. Develop I-9 procedures and, where necessary, provide I-9 training for department liaison employees
- C. As Immigration and Employment law continues to evolve; consider alternatives for managing worker eligibility status, related procedures, and training
- D. Modify the Personnel Action Form (PAF) to include a section for changes to immigration status

Employee Records and affected departments should:

- E. Ensure that deadlines for Visas are consistently tracked and that impacted employees are notified in a timely fashion that action is required

General Government may provide responses as a separate document at a later date.

AUDIT RESPONSE
County Manager's Office
Payroll Audit
Submitted September 7, 2007

Issue #2

County management and departments with uniformed employees should create a standardized uniform policy to ensure that uniform expenditures are accurately categorized. County does not have a policy that standardizes the items to be considered part of a uniform, process at termination, pro-rating of allowances, or other items.

Response: Concur.

Recommendation:

County management should develop countywide uniform policies and procedures that defines uniforms and includes guidelines for:

- A. Appropriate usage
- B. Accurate expenditure coding
- C. Pro-rating uniform allowances to new and terminating employees
- D. Ensuring timely return of uniforms or county seal patches by terminating employees.
- E. Assessing uniform procurement methodology

Response: Concur—policy development will commence with input from users and county officials, including County Counsel.

Target Completion Date: December 31, 2007

Benefits/Costs: Increased control over accuracy and accountability.

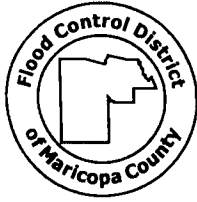
Approved By


Executive Manager, County Manager's Office

9/7/07
Date


County Manager

9/7/07
Date



Flood Control District

of Maricopa County

MEMORANDUM

Date: **August 17, 2007**

To: **Ross L. Tate, County Auditor**

From: **Timothy S. Phillips, P.E., Chief Engineer and General Manager**

Subject: **Draft Audit Response for Payroll Audit**

Issue #3: Employment Eligibility Verification

Department did not have one of the employment visa documents on file at the time of internal review. The employee was transferred to Flood Control District of Maricopa County from Maricopa County Department of Transportation and the visa documents were not transferred. Documents were on file with the Maricopa County Department of Transportation. Visa type F1 document, Flood Control District missing Visa Issue date on document.

Response: Concur. Department reviewed their process in collecting visas and other verification paperwork. The documents are kept separately and securely from the department personnel files. Department will ensure that the employment paperwork is submitted to County Human Resources completely, accurately, and timely. There will be a system in place to ensure all Department HR Liaisons are aware of the proper procedures for handling employment paperwork. Once County HR receives the Department's documents, they are responsible for entering the information in to the PeopleSoft system.

Target Completion Date: Departmental Standard Operating Procedure for handling employment visas and related employment paperwork in place by January 1, 2008.

Benefits/Costs: Increase control over accuracy and accountability.

We decline the opportunity for a closing conference. Any questions please contact Linda Mardian, Flood Control District of Maricopa County, Financial Business Analyst at 602-506-1524.

Approved By:

Department Head / Elected Official

Chief Officer

County Administrative Officer



Maricopa County

Regional Development Services Agency

Joy M. Rich
Assistant County Manager
501 North 44th Street, Suite 120
Phoenix, Arizona 85008
Phone: (602) 506-6025
Fax: (602) 506-8510

Date: August 14, 2007
To: Ross Tate, County Auditor
From: Joy Rich, Assistant County Manager
Subject: Planning and Development Department
Audit Response

Below is the Planning and Development Department's audit response that relates to Temporary Work Permits.

Issue # 3 Employment Eligibility Verification

The County does not accurately or completely track data related to County employees working on temporary work permits.

Response: Concur. The department did not accurately or completely track the employment eligibility of a Canadian citizen hired to work as a Planner.

Recommendation E: Ensure that deadlines for Visas are consistently tracked and that impacted employees are notified in a timely fashion that action is required.

Response: Concur. Planning and Development immediately notified the employee, after the audit, to provide current employment eligibility documentation. Employee provided documentation and continues to provide documentation on the yearly renewal date. Employee's manager must write a letter every year to prove that employee is still employed in order for Visa to be renewed.

Target Completion Date: Completed and on-going

Benefits/Costs: The process of tracking visas has been implemented and supervisors and managers of the affected divisions assist with tracking the visas. Improved process of tracking visas will prevent the U.S. Citizenship and Immigration Services (USCIS) from fining the County for hiring or maintaining employment of an employee without the appropriate documents or for working past the document expiration.

Based on this information, we do not believe a closing conference will be necessary. Feel free to contact me at 506-6025 or Robert Markey at 506-6532 if you should require additional information.

xc: Robert Markey, Financial Services Manager



MARICOPA COUNTY
Department of Transportation

INTEROFFICE MEMORANDUM

Date: August 21, 2007
To: Ross L. Tate, County Auditor
From: John B. Hauskins, P.E., Transportation Director
Subject: Audit Response for Payroll Audit

Issue #3: Employment Eligibility Verification

Department did not have one of the employment visa documents on file at the time of internal review. Documents were on file in the Department, but not entered into PeopleSoft completely.

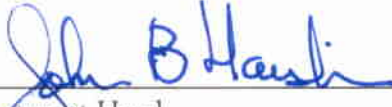
Response: Concur. Department reviewed their process in collecting visas and other verification paperwork. The documents are kept separately and securely from the department personnel files. Department will ensure that the employment paperwork is submitted to County Human Resources completely, accurately, and timely. There will be a system in place to ensure all Department HR Liaisons are aware of the proper procedures for handling employment paperwork. Once County HR receives the Department's documents, they are responsible for entering the information into the PeopleSoft system.


Target Completion Date: Departmental Standard Operating Procedure for handling employment visas and related employment paperwork in place by January 1, 2008.


Benefits/Costs: Increase control over accuracy and accountability.

We decline the opportunity for a closing conference. Any questions please contact Donna Brown, Public Works Human Resources Manager at 602-506-4610.

Approved By:



Department Head


Chief Officer


County Administrative Officer